Eat & Go Finance SPV Plc

₦11.5 Billion 14.25% Fixed Rate Senior Unsecured Bond Due 2026 (Series 1)

Under the ₦15 billion Bond Issuance Programme

2019 Corporate Bond

Final Rating Report

Agusto&Co.

Research, Credit Ratings, Credit Risk Management

EAT & GO FINANCE SPV PLC

₦11.5 Billion 14.25% Fixed Rate Senior Unsecured Bond Due 2026 (Series 1) Under the ₦15 Billion Bond Issuance Programme

Issue Rating:

Bbb

Outlook: Stable
Issue Date: 17 January 2020
Expiry Date: 31 December 2020

The Issue rating is subject to annual review on the anniversary of the Bond.

Sponsor's Rating: Bbb
Expiry Date: 30 June 2020

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Satisfactory quality with moderate credit risk; adequate capacity to pay returns and principal on local currency debt in a timely manner.

RATING RATIONALE

- Agusto & Co. hereby assigns a **"Bbb"** rating to Eat & Go Finance SPV Plc's ("the Issuer" or "SPV") ₦11.5 Billion 7-Year 14.25% Fixed Rate Senior Unsecured Bond Due 2026 (Series 1). The Issue rating is hinged principally on the irrevocable and unconditional guarantee provided by Eat N' Go Limited through the pledging of its operating cash flow as the primary source of repayment. Therefore, the assigned rating mirrors the standalone rating of Eat N' Go Limited issued by Agusto & Co.

- In March 2019, Eat N' Go Limited ("the Sponsor", "Eat N' Go", "ENG" or "the Company") sponsored the incorporation of a special purpose vehicle, Eat & Go Finance SPV Plc, to finance the Sponsor's funding requirements, by issuing debt instruments to the general public. The Issuer is a non-operational special purpose company set up as a separate and distinct entity from the Sponsor.

- The SPV issued ₦11.5 Billion Fixed Rate Bond in Q4'2019. The Series 1 Bond (which will have a seven-year tenor from date of issuance) will attract a fixed coupon rate to be determined through a book-building process payable semi-annually in arrears over the seven-year period, while the principal will be redeemed biannually following a two-year moratorium.

- The proceeds of the Series 1 Bond will be used to purchase the Intercompany Bond to be issued by the Sponsor in line with the terms and conditions stated in the Master Intercompany Bonds Purchase Agreement (MIBPA). Eat N' Go Limited shall, in turn, apply the Series 1 net Bond proceeds to refinance outstanding bank loans, expand business operations through establishment of new retail outlets and fund the Debt Service Reserve Account to cover one coupon payment of the Series 1 Bond.

- The Series 1 Bond is a senior, unsubordinated obligation of the Issuer and rank pari passu among themselves and equally with all other existing senior obligations of the Issuer, from time to time outstanding, except for obligations mandatorily preferred by law applying to companies generally. The Series 1 Bond shall have the benefit of a guarantee and indemnity provided by the Sponsor under the Deed of Guarantee and the Bond Trustee shall hold the benefit of the payment obligation for the Series 1 Bondholders.

This Bond Rating Report should be read in conjunction with Agusto & Co's 2019 Corporate Rating Report for Eat N' Go Limited

TRANSACTION PARTIES

Issuer:
Eat & Go Finance SPV Plc

Sponsor/Guarantor:
Eat N' Go Limited

Lead Issuing House/Book Runner:
Stanbic IBTC Capital Limited

Joint Issuing House/Book Runner:
Chapel Hill Denham Advisory Limited

Bond Trustee:
Stanbic IBTC Trustees Limited

Solicitors to the Issue/Issuer:
Templars

Solicitors to the Trustee:
Sefton Fross

Registrar:
African Prudential Registrars

Reporting Accountant:
Ernst & Young

Receiving Bank:
Stanbic IBTC Bank Plc

KEY TRANSACTION STRUCTURE

Bond Tenor:
Series 1: 7 years, with semi-annual payment of coupon and bi-annual repayment of principal after 2 years of principal moratorium.

Bond Status:
Series 1 Bond is a senior, direct, unsecured and unsubordinated obligation of the Issuer.

Aggregate Bond Sum:
Up to ₦11.5 billion

Use of Series 1 Bond Proceeds:
The net proceeds will be used by the Issuer to purchase the Intercompany Bond to be issued by the Sponsor pursuant to the terms and conditions in the Master Intercompany Bonds Purchase Agreement.

Source of Repayment:
Operating cash flow of Sponsor. The Sponsor shall pay one-fifth of the Debt Service Amount into a Debt Service Account on a monthly basis toward meeting the Series 1 Bond obligations

- In accordance with the Series 1 Trust Deed and Pricing Supplement, the Sponsor irrevocably and unconditionally pledges to repay the coupon and outstanding principal amount from its operating cash flow.
- Eat N' Go Limited is a leading player in the Nigerian Quick Service Restaurant (QSR) Industry, with operations in over 100 retail outlets across eight states in the Country and processes over 4 million orders per annum. Eat N' Go has the sole and exclusive franchise rights with Domino's Pizza International for its pizza food chain (Domino's Pizza) and Kahala Brands LLC, for its ice cream (Cold Stone Creamery) and dairy products (Pinkberry) in Nigeria. The franchise agreements for Domino's Pizza, Cold Stone Creamery and Pinkberry will expire September 2021, February 2032 and August 2027 respectively and each of the agreements are subject to an extension of an additional 10 years.
- In the financial year ended 31 December 2018 (FYE 2018), Eat N' Go Limited's financial condition was characterized by good cash flow, moderate leverage, strong leadership in the QSR Industry in Nigeria as well as its qualified and experienced management team. However, the Company's financial performance was tempered by low profitability, inadequate working capital and financing structure which requires improvement. Agusto & Co. has assigned Eat N' Go Limited a **"Bbb"** rating, which expires 30 June 2020.
- Eat N' Go Limited is in the process of constructing a new commissary in the outskirts of Lagos (to be completed by December 2019) to increase the Company's capacity to serve its teeming customers in Lagos and neighbouring states. The introduction of new products such as the Smallie Pizza, Chairman Pizza, Signature cakes and Greek Yoghurt, amongst others in H1'2019 is expected to further appeal to different genres of consumers and ultimately stimulate patronage. In our view, the implementation of these initiatives and planned investments should translate to improvement in ENG's financial condition in the short to medium term.
- Based on Agusto & Co.'s review of the Sponsor's financial forecast over the duration of the Series 1 Bond, we believe that the sensitised cumulative operating cash flow is sufficient to cover total interest payment and total debt obligations 2.86 times and 1.14 times respectively over the tenor of the Issue. In our opinion, the Issuer, strongly supported by the irrevocable and unconditional guarantee provided by Eat N' Go Limited has adequate capacity to meet the obligations on the Issue as and when due.
- Based on the aforementioned, Agusto & Co. hereby assigns a **stable** outlook to the Eat & Go Finance SPV Plc's Series 1 Bond.

Debt Service Reserve Account:
The Sponsor shall fund the Debt Service Reserve Account up to the Minimum Reserve Amount (with an amount equal to the Debt Service Amount) from the Series 1 Bond proceeds on the Bond closing date.

Debt Service Amount:
For the Series 1 Bond, this represents an amount equal to one semi-annual coupon during the moratorium period and the aggregate coupon and principal amount due on a relevant payment date following the expiration of the moratorium.

Table 1: Strengths, Weaknesses, Opportunities & Challenges

Strengths
- The Sponsor is a leading player in the QSR Industry in Nigeria
- Full support of internationally recognised brands via long-term franchise arrangements
- Good cash flow

Weaknesses
- Inadequate working capital
- Weak profitability

Opportunities
- Expansion into new markets (Northern & Eastern regions of Nigeria)
- Changes in consumers lifestyle and eating patterns

Challenges
- Increasing competition from new entrants with other internationally recognised franchises
- Risk of adverse government regulations
- Weak purchasing power of the consuming populace

SPONSOR'S PROFILE

Overview

Eat N' Go Limited is one of the leading Nigerian QSR operators engaged in the provision of fast food, snacks, drinks and dairy products. The Company has sole and exclusive franchise rights with Domino's Pizza International ("DPI") for its pizza food chain (Domino's Pizza) and Kahala Brands LLC, for its ice cream (Cold Stone Creamery) and dairy products (Pinkberry) in Nigeria, with the Right of First Refusal for Cold Stone Creamery and Pinkberry regarding expansion into the rest of West Africa and Cameroon.

The Master Franchise Agreement with Domino's Pizza Overseas Franchising B.V commenced in September 2011 for an initial 10-year period subject to renewal for an additional 10-year period and is in the process of being renewed. The Master Franchise Agreement for the Cold Stone Creamery brand was originally for a 10-year period from February 2012 but has now been extended for an additional 10-year term which expires February 2032. The Master Franchise Agreement for the Pinkberry brand has a tenor of 10-years from when the agreement was signed in August 2017.

Domino's Pizza International is the recognized world leader in pizza delivery and operates a network of company-owned and franchise-owned stores in international markets, while Kahala Brands LLC is one of the largest holding companies for franchise fast-food restaurants in North America.

Eat N' Go Limited commenced operations in 2012 with only two brands (Domino's Pizza and Cold Stone) and two outlets in Lagos State. Since then, operations have expanded significantly to over 100 stores across eight states and the Federal Capital Territory, Abuja as at August 2019. In 2018, the Sponsor obtained the rights for the Pinkberry brand and witnessed rapid expansion with eight new stores opened in the same year. The Sponsor owns and operates all its stores, which are positioned at various strategic and densely populated locations across Nigeria. Its brands either operate as co-located or stand-alone outlets depending on the location, brand perception and market dynamics of the various products in a particular location.

The Sponsor's restaurants are geographically diverse with a heavier concentration in urban/metropolitan areas such as Lagos State. This concentration provides the Sponsor with a number of benefits, including a more cost-effective labour pool, more favourable location economics, a higher customer base with higher spending power, which will help drive greater customer and employee loyalty. Agusto & Co. estimates that 50% of the revenues earned in the QSR industry emanates from Lagos State.

The Sponsor has however begun to expand its network to major state capitals and other commercial areas in the country and expects to do this more aggressively in line with its 5-year (2019 -2023) strategic growth plan. The Company plans to open circa 220 stores over the next four years with presence across all major cities and towns in Nigeria.

As at the financial year ended 31 December 2018, Eat N' Go's total assets stood at ₦10.8 billion, while total shareholders' fund was up by 47% year on year to ₦4 billion (2017: ₦2.7 billion). In the financial year ended 31 December 2018, the Company generated revenue of ₦13.2 billion and recorded a profit after tax of ₦99.7 million (2017: ₦917.3 million). In the same period, Eat N' Go's average staff strength grew to 2,024 persons, from 1,443 persons in the previous year.

As at 31 December 2018, Eat N' Go Limited had an authorised share capital of 10 million ordinary shares of ₦1 each, which were fully issued and paid up. As at the same date, Krone Holding Inc. held 99.99% equity stake in the Company. Krone Holding Inc, is in turn, a wholly-owned subsidiary of Eat N' Go (BVI) Limited, which is jointly owned by Yabon Foods (40%), Ausone Equities (20%), MacGregor Investments (20%) and Lime Finance Assets SA (20%). Eat N' Go Limited has a five-member Board of Directors, which is composed of four non-executive directors and one independent non-executive director. Mr Charbel Antoun, a Co-Founder, leads the Board as Chairman, while Mr Patrick McMichael is the Chief Executive Officer.

Table 2: Background Information of Eat N' Go Limited as at 31 December 2018

Authorized Share Capital:	₦10 million
Issued and fully paid-up Capital:	₦10 million
Shareholders' Funds:	₦4 billion
Registered Office:	Plot 1715, Idejo Street, Victoria Island, Lagos
Principal Business:	Provision of affordable food and drinks
Auditors:	PricewaterhouseCoopers

In the year ended 31 December 2018, as well as the six months ended 30 June 2019, Eat N' Go Limited's financial condition was characterized by good cash flow, moderate leverage, strong leadership in the Quick Service Restaurant (QSR) Industry in Nigeria as well as its qualified and experienced management team. However, the Company's financial performance was tempered by low profitability, inadequate working capital and financing structure which requires improvement. We note that the decline in ENG's profitability was triggered by the scaling of the business across Nigeria in a bid to forestall competitive intrusion and achieve its five-year plan.

Background to Special Purpose Vehicle

Eat & Go Finance SPV Plc ("the Issuer" or "SPV") was incorporated in March 2019 as a special purpose funding vehicle of Eat N' Go Limited with no business operations of its own, other than borrowing, advancing/passing through funds to, and receiving funds from the Sponsor. The Issuer has no subsidiaries or affiliates.

Eat & Go Finance SPV Plc has an authorised share capital of ₦20 million divided into twenty million ordinary shares of ₦1 each, which has been issued and fully paid. The shares of the SPV are held by Eat N' Go Limited (99.99%) and Mr Charbel Antoun (0.01%).

The nominee directors of the SPV are Messrs Charbel Antoun and Patrick McMichael. The Issuer has no employees and is a non-operational entity set up as a separate and distinct entity from the Sponsor. Although the Series 1 Bond is a direct, senior, unsecured and unsubordinated obligations of the Issuer, the Sponsor (Eat N' Go Limited), unconditionally and irrevocably, guarantees to repay the coupon and outstanding principal amount in line with the Master Intercompany Bonds Purchase Agreement. Therefore, the Bond obligations will be repaid from the operating cash flow of the Sponsor.

TRANSACTION STRUCTURE

Overview

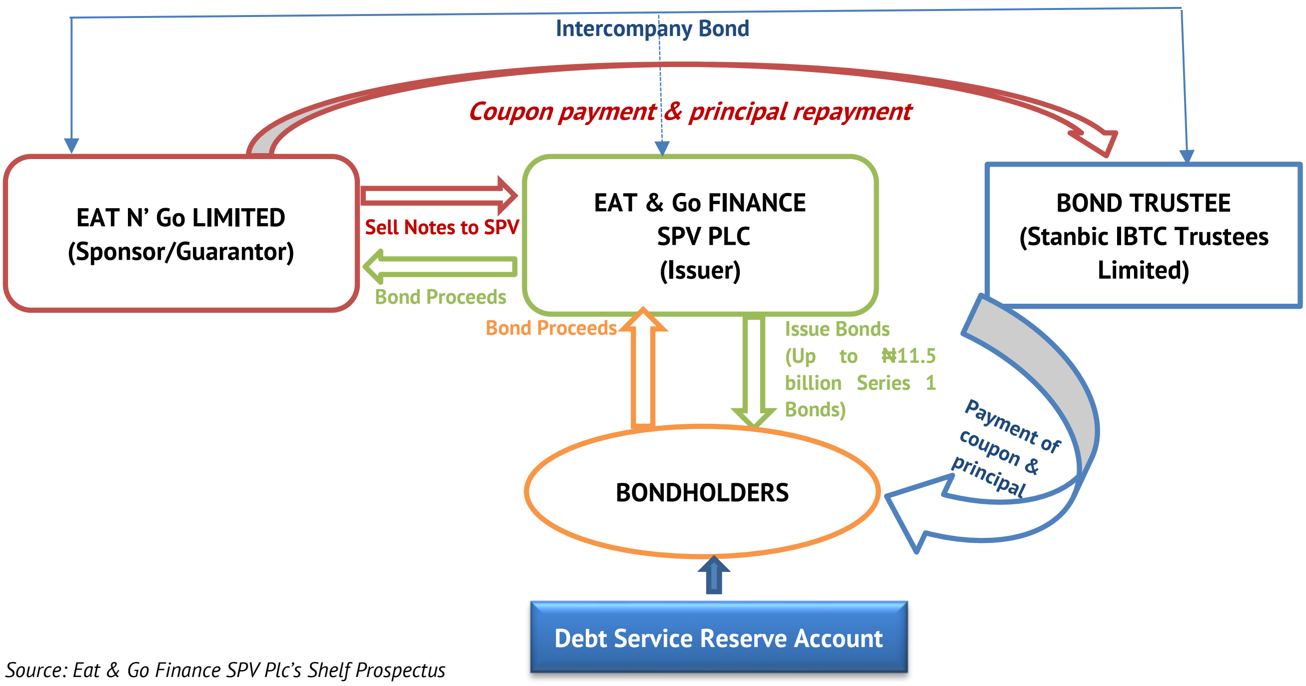
Eat N' Go Limited ("the Sponsor", "Eat N' Go" or "the Company") sponsored the incorporation of a special purpose vehicle, Eat & Go Finance SPV Plc ("the Issuer" or "SPV"), to raise finance by issuing Debt Securities or Bonds to the general public. The issuer is a special purpose company set up as a separate and distinct entity from the Sponsor, with no operations or employees.

The SPV issued ₦11.5 Billion 7-Year 14.25% Fixed Rate Senior Unsecured Bond Due 2026 (Series 1) under the ₦15 billion Bond Issuance Programme in December 2019. The net proceeds of the Series 1 Bond will be used to purchase the Intercompany Bond in line with the terms and conditions stated in the Master Intercompany Bonds Purchase Agreement (MIBPA).

In accordance with the Series 1 Pricing Supplement and Trust Deed, the Series 1 Bond will have a seven-year tenor from date of issuance. The Series 1 Bond will attract a fixed coupon rate to be determined through a book-building process payable semi-annually in arrears over the seven-year period, while the principal will be redeemed bi-annually following the expiration of a two-year moratorium.

The semi-annual payment of coupon and the scheduled repayment of the Series 1 Principal Amount after the 2-year moratorium period, in accordance with the respective repayment schedules, will be serviced by the Sponsor in accordance with the terms of the MIBPA. The Series 1 Bond is backed by a guarantee issued by Eat N' Go Limited, in favour of the Issuer to the Bond Trustee on behalf of the Bondholders, supporting all the obligations of the Issuer under the Series 1 Bond.

Figure 1: Overview of the Transaction Structure



Source: Eat & Go Finance SPV Plc's Shelf Prospectus

Bond Structure

The proceeds of the Series 1 Bond will be used by the Issuer to purchase the Intercompany Bonds from the Sponsor in line with the Master Intercompany Bonds Purchase Agreement. Eat N' G Limited shall, in turn, apply the net Bond proceeds (less issue cost) to refinance outstanding bank loans, expand business operations through establishment of new retail outlets and fund the debt service reserve account. Table 3 details how Eat N' Go will ultimately utilize the Series 1 Bond proceeds.

Table 3: Utilization of Series 1 Bond Proceeds by Eat N' Go Limited

S/n	Details	Amount (₦'Million)	% of gross proceeds	Timeline
1	Refinance existing commercial bank borrowings	3,161.87	27.5%	Immediate
2	Capital expenditure	6,995.63	60.8%	Five years
3	Debt Service Reserve Account	1,128.61	9.8%	Immediate
4	Issue cost	213.89	1.9%	Immediate
	Total	**11,500**	**100%**	

The Series 1 Bond is a senior, unsubordinated obligations of the Issuer and rank pari passu among themselves and equally with all other existing senior obligations of the Issuer, from time to time outstanding, except for obligations mandatorily preferred by law applying to companies generally. The Series 1 Bond shall have the benefit of a guarantee and indemnity provided by the Sponsor under the Deed of Guarantee and the Trustee shall hold the benefit of the payment obligation of the Issuer and the Sponsor on trust for the Series 1 Bondholders in accordance with the terms and conditions of the principal transaction documents.

The Series 1 Bond coupon shall be payable semi-annually in arrears over the tenor of the Bond, while the scheduled repayment of principal will commence after lapse of the two-year moratorium in accordance with the final repayment schedule in the Series 1 pricing supplement. The Series 1 Bond obligations will be serviced from the operating cash flow of the Sponsor in line with the MIBPA. In addition, the Series 1 Bond will be backed by a duly executed guarantee issued by the Sponsor in favour of the Trustee (on behalf of the Bondholders) in support of all the payment obligations of the Issuer under the Programme, and the Sponsor irrevocably undertakes to provide the guarantee.

Table 4: Series 1 Bond Repayment Schedule

Period	Months	Estimated Coupon Payment (₦'000)	Principal Repayment (₦'000)	Principal Obligation Outstanding (₦'000)
1	1 - 6	819,546	-	11,500,000
2	7 - 12	819,375	-	11,500,000
3	13 - 18	816,958	-	11,500,000
4	19 - 24	821,619,	-	11,500,000
5	25 - 30	817,130	1,150,000	10,350,000
6	31 - 36	739,457	1,150,000	9,200,000
7	37 - 42	653,704	1,150,000	8,050,000
8	43 - 48	575,133	1,150,000	6,900,000
9	49 - 54	491,728	1,150,000	5,750,000
10	55 - 60	409,687	1,150,000	4,600,000
11	61 - 66	326,783	1,150,000	3,450,000
12	67 - 72	246,485	1,150,000	2,300,000
13	73 - 78	163,426	1,150,000	1,150,000
14	79 - 84	82,161	1,150,000	
	Total	**7,783,198.9**	**11,500,000**	

**Coupon rate of 14.25%*

Transaction Accounts

Debt Service Account

As long as the Series 1 Bond remain outstanding, the Sponsor shall, on or before the 5th day of every month, pay one-fifth of the Debt Service Amount[1] into the Debt Service Account[2]. The Sponsor shall ensure that at least five (5) Business Day before a relevant Payment Date, the Debt Service Account is fully funded with the Debt Service Amount for that Payment Date. If the Debt Service Account is not fully funded with the Debt Service Amount for that Payment Date in accordance with this Pricing Supplement, the Trustee may withdraw the shortfall from the Debt Service Reserve Account in accordance with the Series 1 Trust Deed.

Upon payment of the Debt Service Amount from the Debt Service Account to the Series 1 Bondholders on the relevant Payment Date, the Sponsor shall make or cause to be made, such monthly payments into the Debt Service Account, such that at least five (5) Business Days before each Payment Date, the amounts standing to the credit of the Debt Service Account shall not be less than the Debt Service Amount due on the Series 1 Bond on the next Payment Date.

Debt Service Reserve Account

The Issuer shall ensure that on or about the Bonds issue date, the Sponsor shall deposit the Minimum Reserve Balance (an amount equal to the Debt Service Amount) for the Series 1 Bond into the Debt Service Reserve Account (DSRA). The Minimum Reserve Balance is expected to be funded from the Series 1 Bond proceeds on the Issue closing date. Where there is a shortfall in the amount standing to the credit of the Debt Service Account (DSA) five (5) Business Days before a Payment Date, the Trustee may withdraw the shortfall from the Debt Service Reserve Account and the Obligors shall (upon notification to the Issuer by the Trustee), replenish or cause to be replenished, the Debt Service Reserve Account.

Where funds are withdrawn from the Debt Service Reserve Account in accordance with the Series 1 Pricing Supplement, the Sponsor shall, upon notification to the Issuer by the Trustee, replenish or cause to be replenished, the Debt Service Reserve Account within five (5) Business Days after the relevant Payment Date, such that the amount standing to the credit of the Debt Service Reserve Account shall not be less than the Minimum Reserve Balance. The Sponsor shall, at least five (5) Business Days before the Maturity Date of the Series 1 Bond, transfer all amounts standing to the credit of the Debt Service Reserve Account into the Debt Service Account; and pay to the Debt Service Account the Balance (if any) of the Principal Amount.

The Debt Service Reserve Account and the Debt Service Account for the Series 1 Bond shall be created prior to the issue date in the name and under the control of the Bond Trustee – Stanbic IBTC Trustees Limited. In line with the Series 1 Trust Deed, the Bond Trustee has been vested with the power to invest funds in the transaction accounts (DSRA & DSA) in authorized investments as selected by the Trustee provided that the maturity date or the date on which such Authorised Investments may be redeemed comes before the date(s) on which money in the Debt Service Reserve Account from which the investments were made will be required for meeting the Series 1 Bond obligations.

[1] For the Series 1 Bond, this represents an amount equal to one semi-annual coupon during the moratorium period and the aggregate coupon and principal amount due on a relevant payment date following the expiration of the moratorium

[2] This refers to an account established by the Issuer with the Account Bank in the name and under the control of the Trustee into which the Sponsor shall make, or cause to be made, on or before the 5th day of every month one fifth of the Debt Service Amount

Principal Transaction Documents

The terms and conditions of the Series 1 Bond issuance are governed by three principal transaction documents – Master Intercompany Bonds Purchase Agreement, Deed of Guarantee and Programme Trust Deed.

Master Intercompany Bonds Purchase Agreement

This is an agreement among the Issuer, the Sponsor and the Trustee by which the Issuer agrees to subscribe to the Bonds issued by the Sponsor using proceeds from the issuance of the Series 1 Bond in line with the Master Intercompany Bonds Purchase Agreement.

Deed of Guarantee

This is an irrevocable and unconditional undertaking by the Sponsor in favour of the Issuer and the Bond Trustee, to fulfil all payment obligations under the Master Intercompany Bonds Purchase Agreement as well as the Issuer's obligation in relation to the Bonds issued under the Programme and enforceable by the Trustee for the benefit of the Series 1 Bondholders.

The guarantor irrevocably and unconditionally guarantees to the Bond Trustee punctual performance by the Issuer of the guaranteed obligations and undertakes with the Trustee that whenever the Issuer does not pay any of the guaranteed obligations, it shall immediately on demand pay that unpaid amount as if it was the principal obligor. This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by the Issuer in respect of the guaranteed obligations, regardless of any intermediate payment or discharge in whole or in part.

Programme Trust Deed

This is an agreement among the Issuer, the Sponsor and the Bond Trustee which sets out the terms, conditions and covenants governing the issuance of Intercompany Bonds, the operation of the Deed of Guarantee and the appointment of the Trustee under the ₦15 Billion Bond Issuance Programme.

Legal Opinion

The legal opinion on the Eat & Go Finance SPV Plc's ₦11.5 Billion Series 1 Senior Unsecured Fixed Rate Bonds Due 2026 under the ₦15 Billion Bond Issuance Programme was provided by **Templars** acting as **Solicitor to the Issuer.**

The legal opinion by Templars dated 5 September 2019 is based on the review of opinion documents such as Transaction Documents (Programme Trust Deed, Series 1 Trust Deed, Master Intercompany Bond Purchase Agreement, Vending Agreements and Deed of Guarantee); Shelf Prospectus; Certificates of Incorporation of the Obligors, written resolutions of the board of directors of the Sponsor and Issuer authorising the establishment of the Programme, the entry into the Transaction Documents and their execution by the authorized signatories contained therein; and written resolutions of the shareholders of the Sponsor and Issuer authorising the establishment of the Programme, the entry into the Transaction Documents and their execution by the authorized signatories contained therein.

Excerpts of the legal opinion on the legality and enforceability of the opinion documents are as follows:

- The Issuer is a public limited liability company duly incorporated and validly existing under Nigerian Law; and has the capacity to own, occupy and possess its properties, to carry on its business and activities as described in the Transaction Documents and to sue or be sued in its own name.
- The Sponsor is a private limited liability company duly incorporated and validly existing under Nigerian Law; and has the capacity to own, occupy and possess its properties, to carry on its business and activities as described in the Transaction Documents and to sue or be sued in its own name.
- Each Obligor has the capacity, corporate power and authorisation to enter into, and perform the obligations contained in the Transaction Documents and has taken all necessary corporate authorisation to authorise the execution of the Transaction Documents, and the performance of its obligations thereunder including the issuance of the Bonds and the ENG Notes as applicable.
- The guarantee obligations expressed to be constituted by or pursuant to the Deed of Guarantee remain in full force and effect and continue to guarantee all liabilities which are expressed to be guaranteed thereunder.

In our view, the legal opinion from the Solicitor to the Issuer is unqualified and represents a satisfactory opinion on the legality and enforceability of the Eat & Go Finance SPV Plc's ₦11.5 Billion Series 1 Senior Unsecured Fixed Rate Bonds Due 2026.

FINANCIAL FORECAST

Given that the Issuer is a non-operational special purpose vehicle set up as a separate and distinct entity from the Sponsor, Eat N' Go has unconditionally pledged its operating cash flow as a source of repayment for the Series 1 Bond issuance. To this end, the Company has prepared a financial forecast covering income statement, statement of financial position, statement of cash flows together with some underlying assumptions over a five-year period (see table 5 below).

Table 5: Main Assumptions & Basis

Description	Eat N' Go Limited's Assumption	Agusto & Co. Adjusted Assumptions
Revenue	• The number of ENG stores to grow from 106 to 322 stores by end of 2023. The breakdown would see Domino's Pizza have 158 stores, while Cold Stone Creamery and Pinkberry would have 155 and 9 stores respectively. • Projected annual revenue growth of 36%	• We have moderated expected revenue growth over the initial five years to align with our expectations as well as taking into account the timeline for building new outlets and gaining optimal patronage. In addition, we have estimated similar growth patterns in year 6 and 7.
Costs	• The food cost % for the brands is at 36% - DP, 31% - CSC and 32% - PB • The staff cost is based on ENG labour matrix for all stores under each brand and 7.5% annual increment in staff cost to cater for appraisal, promotions and inflation • Maintenance expenses, development cost, corporate expenses and marketing cost are based on the increasing scale of operations	• We have adopted the cost estimates of the Sponsor over the forecast period
Other items	• The assumptions covering other items such as finance cost, depreciation and staff training has been aligned with the proposed growth in stores requirements	• We have adopted Sponsor's assumptions on other items

Given the underlying assumptions, the Sponsor estimates a cumulative revenue of ₦207.4 billion over the forecast period, mainly from the planned scaling of operations with an additional 220 stores set to be established over the next five years. The Sponsor's projection represents an average annual revenue growth rate of 36%, which Agusto & Co. considers to be optimistic. Eat N' Go Limited also projects a cumulative cost of sales of ₦83 billion, leading to a gross profit of ₦124.3 billion (translating to a gross profit margin of 60%) over the forecast period. In addition, the Sponsor estimates cumulative operating expenses (excluding depreciation) of ₦74.5 billion. This leads to earnings before interest, taxes, depreciation and amortisation (EBITDA) of ₦47.5 billion, representing an EBITDA margin of 23% over the duration of the Issue. The Sponsor also estimates a cumulative operating cash flow (OCF) of ₦45.3 billion, driven by aggressive revenue growth on the back of planned capital investment in stores and technology innovation in product and service offering during the forecast period. Based on the Sponsor's forecast, the estimated cumulative OCF will be sufficient to cover coupon payments 5.82 times and Bond principal repayment 2.55 times.

Agusto & Co. Adjusted cash flow forecast

Agusto & Co. has adjusted the Issuer's forecast based on our assumptions as stated in Table 5. We have adopted the Issuer's revenue assumptions inclusive of the store's rollout plan over the five-year period. Notwithstanding, we have adjusted the tenor of the Sponsor's forecast to seven years to reflect the tenor of the Series 1 Bond, hence we have assumed no changes to the number of stores for year 6 and 7.

Based on our adjustments, total cumulative revenue over the seven-year period is projected at ₦258.4 billion, wholly comprising revenue from existing store sales and new rollout plans. Agusto & Co. estimates that the total revenue will be sufficient to cover the Sponsor's cost of sales and operating expenses (OPEX) leaving operating cash before coupon and principal payment of ₦21.8 billion. This net balance will be adequate to meet bond obligation (comprising coupon payment and principal repayment) of ₦17.8 billion leaving a cumulative residual available balance of ₦4 billion.

Based on our adjustments, the cumulative total cash available to Eat N' Go Limited of ₦21.8 billion will be sufficient to cover the Series 1 Bond obligations resulting in a satisfactory interest coverage and bond coverage ratios of 2.86 times and 1.14 times respectively.

ENG - No of Stores	**106**	**158**	**212**	**266**	**322**	**322**	**322**	
	Year 1 (Nm)	**Year 2 (N'm)**	**Year 3 (N'm)**	**Year 4 (N'm)**	**Year 5 (N'm)**	**Year 6 (N'm)**	**Year 7 (N'm)**	**Total (N'm)**
Total Revenue	18,820	23,525	29,406	38,228	47,785	49,219	51,434	258,417
Total Direct Cost	(8,397)	(10,072)	(11,994)	(14,843)	(18,607)	(23,368)	(25,497)	(112,778)
Total Operating expenses (excluding depreciation)	(8,704)	(11,790)	(14,596)	(18,061)	(21,721)	(23,706)	(25,185)	(123,763)
Operating cash flow before coupon and principal	1,718	1,663	2,816	5,324	7,457	2,145	752	21,876
Coupon payment	(1,518)	(1,638)	(1,556)	(1,228)	(901)	(573)	(245)	(7,660)
Principal repayment			(2,300)	(2,300)	(2,300)	(2,300)	(2,300)	(11,500)
Operating cash flow after coupon and principal	200	25	(1,040)	1,796	4,256	(727)	(1,793)	2,716
Interest coverage	1.13	1.02	1.81	4.33	8.27	3.75	3.07	**2.86**
Bond Service Coverage								**1.14**

OUTLOOK

Eat & Go Finance SPV Plc issued ₦11.5 Billion 7-Year 14.25% Fixed Rate Senior Unsecured Bond Due 2026 (Series 1) in Q4'2019. The Issuer shall pass-through the proceeds of the Series 1 Bond to the Sponsor, by subscribing to an Intercompany Bond issued by the Sponsor in line with the terms and conditions of the Master Intercompany Bonds Purchase Agreement. Eat N' Go Limited shall, in turn, apply the Series 1 net Bond proceeds to refinance outstanding bank loans, meet capital expenditure and fund the debt service reserve account to cover initial coupon obligations under the Series 1 Bond.

The Series 1 Bond, which will have a seven-year tenor from date of issuance will attract a fixed coupon rate payable every six month in arrears over the seven-year period, while the principal will be redeemed biannually following a two-year moratorium.

The payment obligations of the Issuer under the Series 1 Bond and in respect of principal and any coupon on the Bonds shall at all times rank at least equally with all other unsecured and unsubordinated obligations of the Issuer, present and future except for obligations mandatorily preferred by law applying to companies generally. Although the Series 1 Bond is a direct, senior, unsecured and unsubordinated obligations of the Issuer, the Sponsor, irrevocably and unconditionally, guarantees to repay the coupon and outstanding principal amount due to the Series 1 Bondholders in line with the Series 1 Trust Deed and Pricing Supplement, from its operating cash flow.

The Issuer is expected to maintain a Debt Service Account in the name and under the control of the Bond Trustee with the Account Bank, wherein the Sponsor shall on or before the 5th day of every month, pay one-fifth of the Debt Service Amount[3] towards meeting the Series 1 Bond obligations. In the event that the Debt Service Account is not fully funded with the amount required to meet the Series 1 Bond obligations at a Payment Date, the Trustee is empowered by the Series 1 Trust Deed to withdraw the shortfall from the Debt Service Reserve Account – this account will be created on or before the Bond closing date (in the name and under the control of the Bond Trustee) and funded from the Series 1 Bond proceeds to cover the minimum reserve balance with an amount equal to the Debt Service Amount.

Based on Agusto & Co's sensitized financial forecasts over the tenor of the Series 1 Bond, we have estimated that Eat N' Go's operating cash flow (OCF) to interest payments and total debt service ratios are 2.86 times and 1.14 times respectively. In our opinion, the Issuer has satisfactory capacity to meet its obligations on the Issue as and when due principally supported by the irrevocable and unconditional guarantee of the Sponsor, Eat N' Go Limited.

Based on the above, we hereby attach a **stable** outlook to the Eat & Go Finance SPV Plc's Series 1 Bond.

This Bond Rating Report should be read in conjunction with Agusto & Co's 2019 Corporate Rating Report for Eat N' Go Limited

[3] This represents an amount equal to one semi-annual coupon on the Series 1 Bond during the moratorium period and the principal amount due on a relevant payment date following the expiration of the moratorium

RATING DEFINITIONS

Aaa	Highest quality debt issue with minimal credit risk; strongest capacity to pay returns and principal on local currency debt in a timely manner.
Aa	High quality debt issue with very low credit risk; very strong capacity to pay returns and principal on local currency debt in a timely manner.
A	Good quality debt issue with low to moderate credit risk; strong capacity to pay returns and principal on local currency debt in a timely manner.
Bbb	Satisfactory quality with moderate credit risk; adequate capacity to pay returns and principal on local currency debt in a timely manner.
Bb	Below average quality with moderate to high credit risk; speculative capacity to pay returns and principal on local currency debt in a timely manner.
B	Weak quality with high credit risk; speculative capacity to pay returns and principal on local currency debt in a timely manner.
C	Very weak capacity to pay returns and principal. Debt instrument with very high credit risk.
D	In default.

Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

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